

**AUDIT REPORT**  
**CONSOLIDATED CREEK COUNTY**  
**RURAL WATER DISTRICT NO. 3**  
**SAPULPA, OKLAHOMA**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**



**JENKINS & KEMPER**  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

**CONSOLIDATED CREEK COUNTY RURAL WATER DISTRICT NO. 3  
SAPULPA, OKLAHOMA  
DECEMBER 31, 2022**

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**CONSOLIDATED CREEK COUNTY RURAL WATER DISTRICT NO. 3  
BOARD OF DIRECTORS  
DECEMBER 31, 2022**

BOARD OF DIRECTORS

Chairman	Larry Dudley
Vice-Chairman	Paul Nichols
Secretary/Treasurer	Cary Tyree
Director	Cindy Kerr
Director	Roger Starnes

OFFICE MANAGER

Pam Graham

BOOKKEEPER

Elin Golden



**JENKINS & KEMPER**  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA  
MICHAEL KEMPER, CPA

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Creek Co. RWD No. 3  
Sapulpa, OK 74067

**Opinions**

We have audited the accompanying financial statements of the business-type activities of Creek Co. RWD No. 3 (the District), Sapulpa, Oklahoma, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Creek Co. RWD No. 3 as of December 31, 2022, and the respective changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect

a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

Creek Co. RWD No. 3 has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on these financial statements is not affected by this missing information.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated April 26, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Jenkins & Kemper, CPAs P.C.*

Jenkins & Kemper  
Certified Public Accountants

April 26, 2023





**JENKINS & KEMPER**  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA  
MICHAEL KEMPER, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Creek Co. RWD No. 3  
Sapulpa, Oklahoma 74067

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Creek Co. RWD No. 3 as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon, dated April 26, 2023. Creek Co. RWD No. 3 has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to supplement, although not be a part of, the basic financial statements.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not

express such an opinion. The results of our tests disclosed one (1) instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 22-01.

**Response to Findings**

The District's response to the finding identified in our audit is described in the letter following the audit acknowledgement page. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Jenkins & Kemper, CPAs P.C.*

Jenkins & Kemper  
Certified Public Accountants, P.C.

April 26, 2023

**CONSOLIDATED CREEK COUNTY RURAL WATER DISTRICT NO. 3**  
**SCHEDULE OF AUDIT RESULTS**  
**DECEMBER 31, 2022**

**Findings – Financial Statement Audit**

22-01 – Cash Reconciliation

Condition: During the audit, we observed that none of the cash and investment accounts had been reconciled in the accounting software since August 2022. The ending cash balance at December 31, 2022 appeared to be understated by \$1,450.97. The ending investment balance at December 31, 2022 appeared to be understated by \$5,698.04.

Criteria: Cash and investment accounts should be reconciled to the accounting software on a monthly basis to ensure accurate financial reporting.

Effect: Cash and investment balances may be inaccurately reported and may affect the Board of Director's decision making.

Recommendation: That all cash and investment accounts be reconciled to the accounting software on a monthly basis to ensure accurate financial reporting to the Board of Directors.



**CREEK COUNTY RURAL WATER DISTRICT NO. 3**  
**STATEMENT OF NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

ASSETS

Current assets

Cash and Cash Equivalents	\$ 658,436
Investments	210,400
Accounts receivable	177,326
Prepaid insurance	5,790
Total current assets	<u>1,051,952</u>

Noncurrent assets

Restricted cash and cash equivalents	3,672
Water System and Equipment	3,904,122
Less accumulated depreciation	<u>(2,281,508)</u>
Total noncurrent assets	<u>1,626,286</u>

Other assets

Utility deposits	<u>20</u>
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Total Assets	<u><u>2,678,258</u></u>
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LIABILITIES

Current liabilities

Accounts payable	90,368
Current maturities of long-term debt	2,948
Total current liabilities	<u>93,316</u>

Noncurrent liabilities

Long-Term Debt, less current maturities	<u>8,539</u>
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Total Liabilities	<u>101,855</u>
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NET POSITION

Contribution in aid of construction	729,017
Members' equity	812,299
Restricted for debt service	3,672
Unrestricted	<u>1,031,415</u>
Total net position	<u><u>\$ 2,576,403</u></u>

The accompanying notes are an integral part of the financial statements

**CREEK COUNTY RURAL WATER DISTRICT NO. 3**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**Operating Revenues:**

Water revenue	\$ 1,285,128
Fire run revenue	265,456
Stormwater management fees	32,985
Penalty income	33,782
Transfer fees	2,670
Miscellaneous income	30,231
Total operating revenues	<u>1,650,252</u>

**Operating Expenses:**

Water purchased	535,816
Fire run fees	250,103
Stormwater mgt fees	27,503
Supplies	163,424
Office expense	28,066
Dues & memberships	3,313
Insurance	35,994
Professional fees	34,247
Computer expense	4,537
Depreciation expense	82,450
Telephone	8,834
Fees & permits	919
Utilities	36,747
Retirement contributions	16,057
Salaries & wages	109,605
Taxes	7,793
Security	390
Contract labor	323,733
Director fees	10,800
Repairs & maintenance	40,608
Miscellaneous expense	1,545
Total operating expenses	<u>1,722,484</u>

Operating Income (Loss)	(72,232)
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**Non-Operating Revenues (Expenses):**

Interest income	1,510
Interest expense	(925)
Total non-operating revenues (expenses)	<u>585</u>

Change in Net Position	(71,647)
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Total Net Position, beginning of period	<u>2,648,050</u>
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Total Net Position, end of period	<u><u>\$ 2,576,403</u></u>
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The accompanying notes are an integral part of the financial statements

**CREEK COUNTY RURAL WATER DISTRICT NO. 3**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**Cash Flows from Operating Activities:**

Receipts from customers	\$ 1,638,721
Payments to employees	(109,605)
Payments to vendors	<u>(1,488,475)</u>
Net cash flows from operating activities	<u>40,641</u>

**Cash Flows from Investing Activities:**

Interest earned	1,510
Fixed asset purchases	<u>(145,206)</u>
Net cash flows from investing activities	<u>(143,696)</u>

**Cash Flows from Financing Activities:**

Interest expense on debt	(925)
Principal payments on long-term debt	<u>(2,747)</u>
Net cash flows from financing activities	<u>(3,672)</u>

Net increase (decrease) in cash and cash equivalents	(106,727)
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Cash and cash equivalents, beginning of period	<u>979,235</u>
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Cash and cash equivalents, end of period	<u><u>\$ 872,508</u></u>
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**Reconciliation of operating income (loss) to net cash provided by operating activities:**

Operating income (loss)	\$ (72,232)
Add depreciation expense	82,450
(Increase)/Decrease in Current Assets	
Accounts receivable, net	(11,531)
Prepaid Insurance	(276)
Increase/(Decrease) in Current Liabilities	
Accounts payable	<u>42,230</u>
Net cash flows from operating activities	<u><u>\$ 40,641</u></u>

The accompanying notes are an integral part of the financial statements

**CONSOLIDATED CREEK COUNTY RURAL WATER DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**Note 1 – Organization**

Consolidated Creek County Rural Water District No. 3, Sapulpa, Oklahoma, is recognized as a public not for profit rural water district under Oklahoma Statutes, Title 82. The purpose of the organization is to provide water to residential and commercial customers who are members of the District.

**Note 2 – Summary of significant accounting policies**

**Reporting Entity**

Consolidated Creek County Rural Water District No. 3 is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost of providing water services is financed through user charges. The District purchases water primarily from Creek County RWD #1.

**Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the balance sheet. The operating statements present increases and decreases in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**Accounts Receivable**

All accounts greater than thirty days are considered past due. Receivables greater than ninety days are carried at the original billed amount.

The District has not established an allowance for doubtful accounts and, when uncollectible, writes off these accounts against income.

**CONSOLIDATED CREEK COUNTY RURAL WATER DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**Note 2 – Summary of significant accounting policies**

**Inventory**

Inventory is expensed when purchased and materials associated with the installation and repair of water system lines are capitalized when the project is finished.

**Property and Equipment**

Property and equipment is recorded at cost when purchased. Depreciation expense is recorded using the straight-line method over the estimated useful life of the asset. Water line extensions and improvements are depreciated using a 40-year life, improvements and parking lots 20-year life, water equipment 7-10 years and office equipment 3-5 years. Water system improvements constructed by the District include capitalizing the direct cost of materials and labor. If an asset is permanently impaired in value, the asset cost is written down to market value. Line extension costs reimbursed by the customer are not capitalized and accordingly not depreciated.

**Cash and Cash Equivalents**

Cash and cash equivalents, shown in the financial statements, are amounts that are not subject to fluctuations in principal value due to changing market conditions and have a maturity of less than three months.

**Investments**

The District's investments consist of a \$110,400 certificate of deposit with Spirit Bank and a \$100,000 certificate of deposit with American Heritage Bank.

**Custodial Credit Risk**

At December 31, 2022, the District held deposits of approximately \$872,508 at financial institutions. The District's cash deposits were in excess of the FDIC Insurance by \$296,241 as of December 31, 2022.

**Note 3 – Reserve Account**

The loan agreement with the United States Department of Agriculture Rural Development requires the District to maintain a debt service reserve account in the amount of \$3,672 as of December 31, 2022. This account is fully funded. The District cannot withdraw funds from the reserve account without USDA approval.



**CONSOLIDATED CREEK COUNTY RURAL WATER DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**Note 4 – Fire Suppression Services**

On March 2, 1981, the District entered into an agreement with the City of Sapulpa whereby the City will furnish Fire Suppression Services to residents served by the District. In 2022, the District received \$265,456 and paid the City \$250,103.

**Note 5 – Long-Term Debt**

The assets of the District are mortgaged to the United States Department of Agriculture through Rural Development. The original amount of the note was \$48,000 at an interest rate of 7.125%, due in monthly payments of \$306, for 40 years beginning on February 12, 1990. The following is a summary of the long-term debt transactions of the District for the year ended December 31, 2022:

	Notes Payable
Balance, 1/1/22	\$ 14,234
Additions	
Retirements	2,747
Balance, 12/31/22	<u>\$ 11,487</u>

The annual debt service requirements for the retirement of principal, and interest payments are as follows:

Year-ending December 31,	Principal	Interest	Total
2023	\$ 2,948	724	3,672
2024	3,166	506	3,672
2025	3,398	274	3,672
2026	1,975	46	2,021
Total	<u>\$ 11,487</u>	<u>1,550</u>	<u>13,037</u>

**CONSOLIDATED CREEK COUNTY RURAL WATER DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**Note 6 – Risk Management**

Consolidated Creek County Rural Water District No. 3 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**Note 7 – Capital Assets**

The following is a summary of changes in property, plant and equipment:

	Balance December 31, <u>2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2022</u>
Water System & Equipment	\$ 3,758,916	145,206		3,904,122
Less accumulated depreciation	<u>2,199,058</u>	<u>82,450</u>		<u>2,281,508</u>
Net	<u><u>\$ 1,559,858</u></u>	<u><u>227,656</u></u>	<u><u>-</u></u>	<u><u>1,622,614</u></u>

**Note 8 – Contributions in Aid of Construction**

**At December 31, 2022, Contributions in Aid of Construction consisted of:**

Reposessed Member Units	\$ 681
Construction Funds	133
Developer Contributions 1984-87	182,177
Turnpike Authority Reimbursements 1990-91	236,448
Contractor Reimbursements 1990,97	9,530
Developer Contributions 1993-96	57,238
Consolidation - CCRWD #9	97,474
State of Oklahoma Reimbursement 1997-98	64,742
Developer Contributions 1998-2000	<u>80,594</u>
	<u>\$ 729,017</u>

**CONSOLIDATED CREEK COUNTY RURAL WATER DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**Note 9 – Subsequent Events**

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.